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| 4 | | TESTIMONY OF A. R. WATTS |
| 5 | | FOR |
| 6 7 | | THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA |
| 8 | | |
| 9 10 | | DOCKET NO. 2003-1-E |
| 11 12 13 | I | N RE: CAROLINA POWER & LIGHT COMPANY- ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS |
| 14 | | |
| 15 | Q. | WOULD YOU PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND |
| 16 | | OCCUPATION? |
| 17 | A. | A. R. Watts, 101 Executive Center Drive, Columbia, South Carolina. I am |
| 18 | | employed by the Public Service Commission of South Carolina, Utilities |
| 19 | | Department, as Chief of Electric. |
| 20 | Q. | PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND |
| 21 | | EXPERIENCE. |
| 22 | A. | I received a Bachelor of Science Degree in Electrical Engineering from the |
| 23 | | University of South Carolina in Columbia in 1976. I was employed at that time by |
| 24 | | this Commission as a Utilities Engineer in the Electric Department and was |
| 25 | | promoted to Chief of the Electric Department in August 1981. I have been in my |
| 26 | | current position since October 1999. I have attended professional seminars relating |
| 27 | | to Electric Utility Rate Design, and have testified before this Commission in |
| 28 | | conjunction with fuel clause, complaint, territorial assignment, Siting Act, and |
| 29 | | general rate proceedings. |
| 30 | Q. | WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS |
| 31 | | PROCEEDING? |

- 1 A. The purpose of my testimony is to summarize Staff's findings as set forth in the
 2 Utilities Department's portion of the Staff Report.
- Q. MR. WATTS, WHAT SPECIFIC AREAS WERE ENCOMPASSED BY
 STAFF'S EXAMINATION?
- 5 A. The Utilities Department's examination of the Company's fuel operations 6 consisted of a review of the Company's monthly operating reports, review of the
- currently approved Adjustment for Fuel Costs Rider, and review of the Company's
 short-term projections of kilowatt-hour sales and fuel requirements.
- Q. DID STAFF EXAMINE THE COMPANY'S PLANT OPERATIONS FOR
 THE PERIOD?
- 11 A. Yes, we reviewed the operations of the Company's generating facilities, including 12 special attention to the nuclear plant operations, to determine if the Company made
- every reasonable effort to minimize fuel costs.
- 14 Q. HAVE YOU DETERMINED THAT ANY SITUATIONS, IN THE REVIEW
- 15 PERIOD, WARRANT DETERMINATION THAT THE COMPANY ACTED
- 16 UNREASONABLY IN OPERATING ITS FACILITIES WHICH COULD
- 17 RESULT IN ITS CUSTOMERS BEING SUBJECT TO PAYING HIGHER
- 18 FUEL COSTS?
- 19 A. No. The Company's generating facilities, particularly the four nuclear units,
- 20 operated very well during the period under review. These nuclear units averaged
- 21 96.7% actual capacity factor for the period. This was achieved even though the
- system experienced refueling outages at three of the four nuclear units during this
- review period as well as steam generator replacement at the Harris plant. The major
- fossil units averaged over 95% availability for the majority of the period under
- review as indicated on Utilities Department Exhibit No. 1.
- 26 Q. PLEASE EXPLAIN YOUR CALCULATION OF THE BASE RATE FUEL
- 27 COMPONENT FOR THE PERIOD ENDING MARCH 2004.
- 28 A. Staff utilized the projected sales and fuel costs for the twelve months ending March
- 29 2004 and included the under-recovered balance of \$7,393,266 as of December 2002
- from Audit Exhibit G. This calculation produced a factor of 1.496 cents per kilowatt-

| 1 | | hour that would be necessary, for the Company to recover virtually all its anticipated |
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| 2 | | and booked fuel expenses. The Company is proposing no change in the base fuel |
| 3 | | component of 1.471 cents per kilowatt-hour which will result in an estimated under |
| 4 | | collection in the cumulative recovery account in March 2004 of \$1,785,344. The |
| 5 | | results of these calculations for various fuel base components are shown on Utilities |
| 6 | | Department Exhibit No. 10. |
| 7 | Q. | WOULD YOU BRIEFLY EXPLAIN THE REMAINING UTILITIES |
| 8 | | DEPARTMENT'S EXHIBITS? |
| 9 | A. | Exhibit No. 2 shows the Company's Unit Outages for the months of January 2002 |
| 10 | | through December 2002, listing the plants by unit, duration of the outage, reason for |
| | | |

- through December 2002, listing the plants by unit, duration of the outage, reason for the outage and corrective action taken. Exhibit No. 3 lists the Company's percentage Generation Mix by fossil, nuclear, and hydro for calendar year 2002.

 Exhibit No. 4 reflects the Company's major plants by name, type of fuel used,
- average fuel cost in cents per KWH to operate, and total megawatt-hours generated for the twelve months ending December 2002. Exhibit No. 5 shows a comparison of the Company's original retail megawatt-hour estimated sales to the actual sales for the period under review. Exhibit No. 6 is a comparison of the original fuel factor
- projections to the factors actually experienced for the twelve months ending

 December 2002. Exhibit No. 7 is a graphical representation of the data in Exhibit

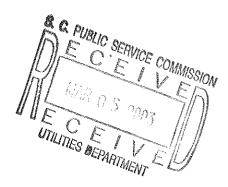
 No. 6. Exhibit No. 8 is the Company's currently approved Retail Adjustment for
- Fuel Costs Rider. Exhibit No. 9 is a history of the cumulative recovery account.

22 Q. DOES THIS CONCLUDE YOUR TESTIMONY?

23 A. Yes, it does.



<u>Carolina Power & Light Company</u> Annual Review of Base Rates for Fuel Costs



Docket No. 2003-1-E

Testimony of A. R. Watts Utilities Department

RETURNIDATE: OLO OU

Public Service Commission of South Carolina